

E-309, 124/SA-89-778 ORDER APPROVING CHANGE IN SERVICE AREA
BOUNDARY AND CLOSING DOCKET

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna
Patrice M. Vick

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application
of the City of Shakopee to
Extend its Assigned Service Area
into the Area Presently Served
by the Minnesota Valley Electric
Cooperative

ISSUE DATE: September 16, 1991

DOCKET NO. E-309, 124/SA-89-778

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PROCEDURAL HISTORY

On September 8, 1989, the City of Shakopee (the City) filed a petition requesting an extension of its assigned electric service area to include all territory within the city limits then served by Minnesota Valley Electric Cooperative (MVEC or the Co-op).

On December 6, 1989, the Commission issued its NOTICE AND ORDER FOR HEARING, in which the matter was set for hearing before an Administrative Law Judge. On the same date, the Commission issued its ORDER REQUIRING ADDITIONAL FILINGS.

On March 27, 1990, the Commission issued its ORDER APPROVING STIPULATION WITH TWO CLARIFICATIONS AND RESCINDING PREVIOUS ORDER. In that Order, the Commission awarded interim service rights to the Co-op, pending final determination by the Commission. The Commission also rescinded its previous Order requiring the parties to submit further filings, since the additional information was no longer necessary.

On December 10, 1990, the parties signed a stipulation settling issues of service rights and compensation. The Administrative Law Judge assigned to the proceeding submitted the stipulation to the Commission without comment.

On May 6, 1991, the Department of Public Service (the Department) filed a report recommending that the Commission approve the stipulation.

The Commission met to consider the matter on September 3, 1991.

FINDINGS AND CONCLUSIONS

The governing statute

Minn. Stat. § 216B.44 governs municipal electric service territory extensions. Under the terms of this statute, a municipality may extend its service territory within existing corporate boundaries, unless the area is already being served by an electric utility. In that case, the municipality may acquire the existing facilities by paying the utility the appropriate value of the property, or by exchanging property of like value. If the parties cannot agree to the terms of compensation, the Commission must determine the appropriate terms after notice and hearing.

The terms of the agreement

The main terms of the parties' stipulated agreement are as follows:

1. The City will serve all present and future customers within its corporate boundary.
2. The City will pay the Co-op the sum of \$786,651 plus an amount equal to the original cost depreciated of the Co-op's distribution facilities installed in the subject service area during 1990.
3. The City will pay the Co-op an agreed upon amount each year for ten years.
4. For ten years, the Co-op will receive 7.5 mills for each kilowatt hour sold to new customers in the subject service area, beginning January 1, 1991.
5. The Co-op will have an option to acquire certain territories served by the City which are outside the City's corporate boundaries. The option must be exercised within 6 months of the effective date of the agreement.
6. A wholesale power purchase provision will require the City to buy energy from the Co-op's supplier in an amount equal to the consumption in the subject service area.

Commission action

The Commission finds that the stipulated agreement fulfills the legislative intent of providing clearly defined electric service territories. Duplication of electric utility facilities is

avoided by the agreement. Clearly drawn boundaries in the subject service areas are the best means of providing customers with stable electric service. A stipulation means that ratepayers are benefitted by a reduction in litigation costs. The parties are mutually satisfied with the means and amount of compensation. Concerns of intervenors should be satisfied by the wholesale power purchase provision of the stipulation.

The Commission notes that, should the Co-op exercise its option to acquire certain territories currently served by the City outside the City's corporate boundaries, both parties must petition the Commission to seek implementation of the resulting change in service territory boundaries.

The Commission finds that the terms of the parties' stipulated settlement are in the public interest and should be accepted.

ORDER

1. The Commission hereby accepts, adopts, and incorporates by reference the attached STIPULATION OF THE CITY OF SHAKOPEE, MINNESOTA VALLEY ELECTRIC COOPERATIVE AND INTERVENORS.
2. Docket No. E-309, 124/SA-89-778 is closed.
3. The Department of Public Service shall adjust its service area maps to incorporate new territory boundaries as shown in Exhibit B of the stipulation.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)